

**NISource<sup>SM</sup>**  
**Corporate Services**

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April 27, 2005

**VIA COURIER**

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station  
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 05-27  
Rate Request Filing/Explanatory Letter

Dear Secretary Cottrell:

Enclosed on behalf of Bay State Gas Company ("Bay State"), pursuant to G.L. c. 164 § 94 and 220 C.M.R. §§ 5.00 et seq., please find an original and 14 copies of the following listed information relative to Bay State's request filed today for approval of proposed new tariffs, a Performance-Based Regulation plan ("PBR") and other related rate adjustments. I also enclose our check in the amount of \$3,600 for the Department of Telecommunication and Energy's ("Department's") filing fee. Provided in this filing are:

1. Bay State's Petition for Approval of Tariffs, PBR Plan and Other Related Rate Adjustments (Volume I);
2. Proposed M.D.T.E. Nos. 34 through 68, to become effective June 1, 2005, cancelling M.D.T.E. Nos. 1-32 (Volume I, Petition, Attachment 1);
3. The Testimony and Exhibits of Stephen H. Bryant, President of Bay State, to provide an overview of the filing and Bay State's need for rate relief, support Bay State's request for the Steel Infrastructure Replacement ("SIR") program and Base Rate Adjustment, and support Bay State's proposed recovery of its remaining investment in Metscan telemetering devices and related lease commitments (Volume II, Exh. BSG/SHB-1 through Exh. BSG/SHB-4);
4. The Testimony, Schedules, Exhibits and Workpapers of John E. Skirtich to support the total revenue requirement and amount of the requested increase in base revenues for Bay State (Volume II, Exh. BSG/JES-1 through Exh. BSG/JES-3; Workpaper Vol. 1 - Skirtich);

5. The Testimony, Schedules and Exhibits of Stephen A. Barkauskas, Vice President of Total Rewards for NiSource, to support Bay State's payroll, wages and benefits expenses. Mr. Barkauskas also supports Bay State's request to recover a portion of its pension and postretirement benefit other than pension ("PBOP") obligation through a Pension and PBOP Mechanism ("PPM") (Volume II, Exh. BSG/SAB-1 through Exh. BSG/SAB-2);
6. The Testimony and Exhibits of Danny G. Cote, General Manager of Bay State (Volume III, Exh. BSG/DGC-1 through Exh. BSG/DGC-12), to support the need for the SIR program, Bay State's capital budgeting process, Bay State's plant additions, and certain sales and leases of Bay State property;
7. The Testimony, Exhibits, Schedules and Workpapers of Joseph A. Ferro, Bay State's Manager of Regulatory Policy, to support Bay State's operating revenues and billing determinants (Volume III, Exh. BSG/JAF-1), rate design, PPM adjustment and annual base rate adjustment mechanism ("ABRAM") (Volume III, Exh. BSG/JAF-2) and tariff and rate schedules (Volume III, Exh. BSG/JAF-3). See also, Workpapers Vol. 2 – Ferro. A redlined version of Bay State's proposed tariffs is filed in Vol. III, Exh. BSG/JAF-3, Schedule JAF-1;
8. Testimony and Exhibits of Dr. Lawrence R. Kaufmann (Volume IV, Exh. BSG/LRK-1 through Exh. BSG/LRK-2), Principal of Pacific Economics Group, to support the elements of Bay State's proposed PBR Plan;
9. The Testimony, Exhibits and Appendices of Paul R. Moul, (Volume IV, Exh. BSG/PRM-1 through Exh. BSG/PRM-2), to support Bay State's capital structure and proposed return on equity;
10. The Testimony and Exhibits of Earl M. Robinson, Principal of AUS, to support Bay State's proposed depreciation expense (Volume IV, Exh. BSG/EMR-1 and Exh. BSG/EMR-2); and
11. The Testimony, Schedules and Workpapers of James L. Harrison, Principal of Management Applications Consulting, to support Bay State's gas cost allocation and simplified market based allocation ("SMBA") (Volume V, Exh. BSG/JLH-1), its allocated cost of service study (Volume V, Exh. BSG/JLH-2), and its marginal cost of service study (Volume V, Exh. BSG/JLH-3). See also Workpapers Vol. 3 – Harrison.

Attached, as Exhibit A to this letter, is a draft of the newspaper notice that Bay State proposes to publish in accordance with 220 C.M.R. § 5.06. Exhibit B to this letter is a draft of

the bill insert that Bay State proposes to include with all customer billings over the next two months.

Please do not hesitate to contact either me at the number above, or Robert L. Dewees, Esq., of Nixon Peabody LLP at ((617) 345-1316), with any questions you may have relative to this filing.

Very truly yours,



Patricia M. French

cc: Hon. Paul G. Afonso, Chairman  
Hon. James Connelly, Commissioner  
Hon. W. Robert Keating, Commissioner  
Hon. Judith F. Judson, Commissioner  
Hon. Brian Paul Golden, Commissioner  
Andrew O. Kaplan, Esq., General Counsel  
Joseph W. Rogers, Office of the Attorney General  
Hon. David O'Connor, Division of Energy Resources

## NOTICE OF PUBLIC HEARING

**D.T.E. 05-27**

Investigation by the Department of Telecommunications and Energy on its own motion for the Performance-Based Rate Plan and the propriety of the accompanying rates and charges set forth in the following tariffs: M.D.T.E. Nos. 34 through 68, and Canceling M.D.T.E. Nos. 1 through 33, filed with the Department on April 27, 2005 by Bay State Gas Company.

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On April 27, 2005, Bay State Gas Company (the "Company"), pursuant to G.L. c. 164 § 94, filed a request for approval of its Performance-Based Rate Plan and accompanying rate schedules and related proposals with the Massachusetts Department of Telecommunication and Energy (the "Department") designed to collect additional annual revenues of \$22.2 million, which represents a 4.6 percent increase in the Company's annual revenues. Although the Company's filing allocates the increase across all customer classes in accordance with DTE practice, the Company will limit the impact of this base-rate increase on the average customer in each rate class to no more than a 7.8 percent increase as compared to the customer's 2004 total bill. Rates proposed by the Company consistent with this limitation would represent:

A monthly increase of \$2.02 for the typical residential non-heating customers using 16 therms per month;

A monthly increase of \$4.47 for the typical residential heating customers using 104 therms per month.

The Department has docketed this matter as D.T.E. 05-27. Although the Company requested that the rate change become effective on May 1, 2005, the Department suspended the effective date of any rate adjustment until December 1, 2005, in order to investigate the propriety of Bay State Gas's filing.

The Department has scheduled a public hearing to receive comments on Bay State Gas's proposal on the following dates:

\_\_\_\_\_(date)\_\_\_\_\_, 2005, at the \_\_\_\_\_(place)\_\_\_\_\_, Springfield, Massachusetts.

\_\_\_\_\_(date)\_\_\_\_\_, 2005, at the \_\_\_\_\_(place)\_\_\_\_\_, Brockton, Massachusetts.

\_\_\_\_\_(date)\_\_\_\_\_, 2005, at the \_\_\_\_\_(place)\_\_\_\_\_, Lawrence, Massachusetts.

The hearings will commence at 7:00 p.m.

The Department has also scheduled a procedural conference to be held on \_\_\_\_\_ 2005, at 10:00 a.m. at the Department's offices.

Persons interested in commenting on Bay State Gas's filing may appear at the public hearing or file written comments at any time with Mary L. Cottrell, Secretary, Department of Telecommunications and Energy One South Station, 2<sup>nd</sup> Floor, Boston, Massachusetts 02210. For further information contact Patricia M. French, Esquire (508) 836-7394 at Bay State Gas Company, 300 Friberg Parkway, Westborough, Massachusetts 01581.

Any person who desires to participate in the evidentiary phase of this proceeding must file a petition for leave to intervene or to participate in the proceeding with Mary L. Cottrell, Secretary, Department of Telecommunications and Energy, One South Station, 2<sup>nd</sup> Floor, Boston, Massachusetts 02110, no later than the close of business (5:00 p.m.) on \_\_\_\_\_, 2005. A petition for leave to intervene must satisfy the timing and substantive requirements of 220 C.M.R. § 1.03(1). Receipt by the Department—not mailing—constitutes filing and determines whether a petition has been timely filed. A late-filed petition may be disallowed as untimely, unless good cause is shown for waiver for the seven-day rule under 220 C.M.R. § 1.01 (4). To be allowed, a petition under 220 C.M.R. § 1.03(1) must satisfy the standing requirements of G.L. c. 30A, § 10.

All written pleadings or comments also must be submitted to the Department in electronic format using one of the following methods: (1) by e-mail attachment to [dte.efiling@state.ma.us](mailto:dte.efiling@state.ma.us); or (2) on 3.5" floppy diskette, IBM-compatible format. The text of the electronic filing must specify: (1) the case caption; (2) docket number; (3) name of person or company submitting the filing; (4) a brief description including title of the document (e.g., comments or petition to intervene). The electronic filing should also include the name, title and phone number of a person to contact in the event of questions about the filing. Text responses should be written in Microsoft Word (naming the document with a "doc" suffix), or in Word Perfect (naming the document with a "wpd" suffix). Data or spreadsheet responses should be compatible with Microsoft Excel. Documents submitted in electronic format will be posted on the Department website, <http://www.magnet.state.ma.us/dpu>.

A copy of the filing is available for public review during regular business hours at the following locations: Springfield Public Library, Central Library, 220 State St., Springfield, MA 01101; Brockton Public Library, Main Library, 304 Main Street, Brockton, MA 02301; Lawrence Public Library, Main Library, 51 Lawrence Street, Lawrence, MA 01840; Northampton Public Library, Forbes Library, 20 West Street, Northampton, MA; the offices of Bay State Gas Company, 300 Friberg Parkway, Westborough, Massachusetts 01581 and the offices of the Department, One South Station, Boston, Massachusetts during normal business hours. Any person desiring further information regarding this notice should contact \_\_\_\_\_, Hearing Officer at (617) 305-3500.

## **Important Rate Notice for Customers**

### **Application for General Rate Increase**

Bay State Gas Company has filed for a revenue increase of \$22.2 million with the Massachusetts Department of Telecommunications and Energy (DTE). The reasons for the Company's request are increases in capital costs associated with maintaining the company's infrastructure, and increases in operating and maintenance costs since the last base-rate filing approved by the DTE. Although the Company's filing allocates the increase across all customer classes in accordance with DTE practice, the Company has limited the impact of the increase on the average customer in each rate class to no more than a 7.8 percent increase as compared to the customer's 2004 total bill. Rates proposed by the Company consistent with this limitation would represent:

- An increase of 4.7% in firm revenues;
- An increase of \$2.02 per month for a typical residential non heating customers using 16 therms per month, representing a 7.15% increase;
- An increase of \$4.47 per month for a typical residential heating customers using 104 therms per month, representing a 3.24% increase.

The DTE will review our request, conduct public hearings in the Company's service territory, and then make a decision by November 30, 2005. If you would like further information, please call the Customer Assistance number listed on your bill. If you would like to submit written comments to the DTE, please send them to the Department of Telecommunications and Energy, One South Station, 2<sup>nd</sup> floor, Boston, MA 02110.

**NISource<sup>SM</sup>**  
**Corporate Services**

Patricia M. French  
Senior Attorney

300 Friberg Parkway  
Westborough, Massachusetts 01581  
(508) 836-7394  
(508) 836-7039 (facsimile)  
[pfrench@nisource.com](mailto:pfrench@nisource.com)

April 27, 2005

**VIA COURIER**

Kevin Brannelly, Director  
Rates and Revenue Division  
Department of Telecommunications and Energy  
One South Station  
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 05-27  
Rate Request Filing/Transmittal Letter

Dear Mr. Brannelly:

Enclosed on behalf of Bay State Gas Company ("Bay State"), pursuant to G.L. c. 164 § 94 and 220 C.M.R. §§ 5.00 et seq., please find an original and 14 copies of the following listed information relative to Bay State's request filed today for approval of proposed new tariffs, a Performance-Based Regulation plan ("PBR") and other related rate adjustments.

Provided in this filing are:

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2. Proposed M.D.T.E. Nos. 34 through 68, to become effective June 1, 2005, cancelling M.D.T.E. Nos. 1-32 (Volume I, Petition, Attachment 1);
3. The Testimony and Exhibits of Stephen H. Bryant, President of Bay State, to provide an overview of the filing and Bay State's need for rate relief, support Bay State's request for the Steel Infrastructure Replacement ("SIR") program and Base Rate Adjustment, and support Bay State's proposed recovery of its remaining investment in Metscan telemetering devices and related lease commitments (Volume II, Exh. BSG/SHB-1 through Exh. BSG/SHB-4);
4. The Testimony, Schedules, Exhibits and Workpapers of John E. Skirtich to support the total revenue requirement and amount of the requested increase in base revenues for Bay State (Volume II, Exh. BSG/JES-1 through Exh. BSG/JES-3; Workpaper Vol. 1 - Skirtich);

5. The Testimony, Schedules and Exhibits of Stephen A. Barkauskas, Vice President of Total Rewards for NiSource, to support Bay State's payroll, wages and benefits expenses. Mr. Barkauskas also supports Bay State's request to recover a portion of its pension and postretirement benefit other than pension ("PBOP") obligation through a Pension and PBOP Mechanism ("PPM") (Volume II, Exh. BSG/SAB-1 through Exh. BSG/SAB-2);
6. The Testimony and Exhibits of Danny G. Cote, General Manager of Bay State (Volume III, Exh. BSG/DGC-1 through Exh. BSG/DGC-12), to support the need for the SIR program, Bay State's capital budgeting process, Bay State's plant additions, and certain sales and leases of Bay State property;
7. The Testimony, Exhibits, Schedules and Workpapers of Joseph A. Ferro, Bay State's Manager of Regulatory Policy, to support Bay State's operating revenues and billing determinants (Volume III, Exh. BSG/JAF-1), rate design, PPM adjustment and annual base rate adjustment mechanism ("ABRAM") (Volume III, Exh. BSG/JAF-2) and tariff and rate schedules (Volume III, Exh. BSG/JAF-3). See also, Workpapers Vol. 2 – Ferro. A redlined version of Bay State's proposed tariffs is filed in Vol. III, Exh. BSG/JAF-3, Schedule JAF-1;
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As demonstrated by this filing, Bay State seeks an increase in base revenues of \$22,238,326, which represents an increase of 4.7% over 2004 annual revenues. Although the Company's



filing allocates the increase across all customer classes in accordance with DTE practice, the Company has limited the impact of the increase on the average customer in each rate class to no more than a 7.8 percent increase as compared to the customer's 2004 total bill. Rates proposed by the Company consistent with this limitation would represent:

- An increase of 4.7% in firm revenues;
- An increase of \$2.02 per month for a typical residential non heating customers using 16 therms per month, representing a 7.15% increase;
- An increase of \$4.47 per month for a typical residential heating customers using 104 therms per month, representing a 3.24% increase.

Based on the test year 2004 cost of service, Bay State's current rate levels are not sufficient to permit it the opportunity to recover the cost of serving its customers and at the same time provide Bay State with a reasonable opportunity to earn its authorized rate of return. Bay State has incurred increasing operation and maintenance expenses since its last base rate case. It has also increased its net plant and is addressing the need for accelerated replacement of its aging unprotected steel infrastructure. Towards that end, Bay State proposes a steel infrastructure replacement ("SIR") Base Rate Adjustment to provide for annual recovery of its steel infrastructure replacement investments without the need of a full base rate proceeding. Bay State faces volatility with respect to pension and postretirement benefits other than pensions ("PBOP") obligations and proposes a pension and PBOP reconciling mechanism ("PPM"), consistent with what the Department has approved for other electric and gas companies.

As part of this proceeding, Bay State proposes a PBR Plan similar to the PBR Plan approved by the Department in D.T.E. 03-40 (2003); however, Bay State requests a five (5) year term of the PBR Plan.

Bay State has presented its revenue requirements and deficiency, its cost of service, and its rate design in compliance with the Department's rules and regulations and consistent with the Department's precedent. Where a proposal may constitute a deviation from current practice, such as the request that the Department adopt a SIR Base Rate Adjustment and ABRAM to support it and other base rate adjustments, Bay State has fully explained the proposal in its direct case.

Bay State Gas Company respectfully requests that the Department approve this rate request.

Please do not hesitate to contact either me at the number above, or Robert L. Dewees, Esq.,

of Nixon Peabody LLP at ((617) 345-1316), with any questions or concerns you may have relative to this filing.

Very truly yours,



Patricia M. French

cc: Hon. Paul G. Afonso, Chairman  
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Hon. W. Robert Keating, Commissioner  
Hon. Judith F. Judson, Commissioner  
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